

IN THE MATTER OF INTEREST ARBITRATION

BETWEEN)

CITY OF ATLANTIC, IOWA,)

PUBLIC EMPLOYER,)

AND)

AFSCME COUNCIL 61,)

EMPLOYEE ORGANIZATION.)

Hugh J. Perry, Arbitrator

Award issued:

June 27, 2002

APPEARANCES:

FOR CITY OF ATLANTIC:

Matt Brick, Attorney

Ron Crisp, City Administrator

FOR AFSCME COUNCIL 61:

Raela Baird, Bargaining Representative

Dan Homan, Staff Representative

BACKGROUND

AFSCME Council 61 represents a bargaining unit comprised of employees in the City of Atlantic, Iowa police department, 9 total, 8 police officers and one secretary/dispatcher. The parties have bargained collectively for a number of years, occasionally engaging factfinding and arbitration. The parties have negotiated a three year contract for the period July 1, 2000 to June 30, 2003. The contract provided for negotiations in the event that insurance costs exceeded \$561 for the 2001-2002 fiscal year. Insurance costs increased beyond this number, negotiations were unsuccessful and the undersigned was selected as arbitrator to resolve the 2001-2002 contract for wages and insurance. An award was issued which provided for a 4% wage increase for these employees and for them to pay an additional \$100 per month toward the cost of family insurance. The award was issued on September 21, 2001 to take effect on the first day of the first full pay period following that date. The arbitrator was not bound by the positions of the parties but was free to fashion an award based upon the parties' proposals. By agreement of the parties, the arbitrator retained jurisdiction to resolve, if necessary, the issues of wages and insurance for the final year of the contract, July 1, 2002 to June 30, 2003. If the parties did not arrive at an agreement on these issues by April 1, 2002, either party could request the undersigned to hear these issues and render an award under the same impasse agreement as governed the September 21, 2001 award. The parties were not able to come to an agreement on insurance and wages and the undersigned was again selected to resolved the parties' differences on these two impasse issues. This award will take effect on July 1, 2002 (it is noted that the insurance program for the city dates from May 1, 2002 to May 1, 2003). A hearing was held on June 14, 2002 at the City Hall in Atlantic.

IMPASSE ISSUES

The issues for decision by the arbitrator are **Insurance** and **Wages** for the contract year July 1, 2002 to June 30, 2003.

CURRENT CONTRACT

The current contract covers the period July 1, 2000 to June 30, 2003. Among other things, it provides for wage increases as follows: 7/1/00 - 3.5%, 7/1/01 - 3.25%, 7/1/02 - 3.25%. As noted above, these employees were awarded a 4% wage increase rather than the 3.25% for the contract year 2001 to 2002 and were required to pay \$150/month if they elected family insurance.

Insurance

The City is self insured for its employees' health insurance benefit. For the contract year commencing July 1, 2000, employees taking family insurance (6 out of 9 employees in the bargaining unit) paid \$50 toward the cost of family healthy insurance and the employer paid the remaining premium. The total premium for family insurance was \$521.16/month. Effective May 1, 2001, the premium for family insurance increased to \$734.76 per month. This triggered negotiations and subsequently arbitration which resulted in the employees paying \$150/month toward family insurance with the city paying the balance. It was suggested by the arbitrator that a joint study be engaged in by the parties to explore insurance options that might lead them to a less expensive insurance plan. The plan then in effect ran from May 1, 2001 and expired on May 1, 2002. Prior to this date a committee was formed consisting of the city administrator, a city council person, and non bargaining unit and bargaining unit employees. The union's representatives were not involved as such and the committee did not engage in contract negotiations. The group was informed by the insurance Administrator that the insurance plan would expire on May 1, 2002 and that such a plan would not be available for the period May 1, 2002 to May 1, 2003. Rather, three new options would be available, their primary differences being deductibles and maximum annual out of pocket expenses. The old plan provided for a \$250 single and \$500 family deductible with \$1,500 out of pocket maximum. The monthly premium was \$734.76 (\$750 with dental). No drug plan was provided under this plan. The new plans provide as follows: Option I: \$500 single and \$1,000 family annual deductibles and \$1,000 single and \$2,000 family out of pocket maximum. The monthly premium is \$898. Option II: \$1,000 single and \$2,000 annual deductibles, \$2,000 single and \$4,000 family annual out of pocket, monthly premium \$828. Option III, \$1,500 single and \$3,000 family annual deductibles \$3,000 single and \$6,000 family maximum out of pocket, monthly premium \$792. All three of the new options provide for a prescription drug plan (\$10 generic and \$25 brand-name). Faced with the termination of the existing insurance plan, the committee made a recommendation that the City remain self insured but offer multiple insurance options to its employees. The committee agreed that the above options should be presented to the employees. The committee's recommendations were adopted by the City council. Employees were notified that effective May 1, 2002 the old insurance plan would no longer be available to them and they were required to choose which new option they preferred. Failure to select an option would mean that they would be placed in the plan with the least expensive employee contributions. For non bargaining unit employees the City split the cost of the increase in insurance. The City deferred the question of the amount of premium contribution to be required of bargaining unit employees until this

arbitration.

Wages

The hourly wages for these employees are as follows: Patrolman - Start: \$13.73, Six Months: \$14.10, One Year: \$14.48. With academy, Start: \$14.10, One Year: \$14.48. Secretary/Dispatcher: \$9.98. These wages resulted from the arbitration award issued September 21, 2001 increasing wages by 4% over the previous year.

PROPOSALS OF THE PARTIES

The **Union** proposes that the City increase these employees wages by 4%, that the employees be awarded Option #1 for their health insurance and that their required contribution of \$150/month toward family insurance not be increased. The Union used the Iowa cities of Denison, Red Oak, Carroll, Glenwood, Harlan, Winterset, and Creston (Group I) and Clarinda and Shenandoah (Group II) in making comparisons. The data indicated that wages for these employees as of July 1, 2002 were \$.90/hour or 6.2% below the average in Group I and \$.35/hour or 2.5% above average in Group II and \$.62/hour or 4.3% below the average of the combined groups. The union submitted data indicating that the average wage increases for similar employees in these comparable communities for July 1, 2002 were 3.5% (Group I), 3.25% (Group II) and 3.4% (combined). The Union's exhibits suggested that many of these cities do not require their employees to contribute toward family insurance and of those that do, only one, Clarinda (\$220.18/month) requires more than the \$150/month required in Atlantic. The data presented indicated that the insurance deductible in Atlantic, \$1,000 family (Option I) was higher than in most of the other communities.

The **City** proposes that these employees receive the 3.25% wage adjustment effective 7/1/02 previously negotiated., that they have the option of selecting one of the three insurance options set forth above as recommended by the insurance committee and that they pay one half of the increase cost of the family plan selected over the cost of the old plan which terminated on May 1. The City contends that these employees should continue to share in the escalating cost of health insurance, especially if they want to maintain low deductibles. The insurance committee and its subsequent recommendation adopted by the City Council was formed as suggested in last year's arbitration award. The City indicated that it was depleting its cash reserves and that this years state rollback on property tax valuations cost the City some \$52,000 from its general fund, factors contributing to a difficult financial situation.

DISCUSSION

Again, this employer and these employees are facing dramatically escalating insurance costs in spite of the fact that deductibles and out of pocket maximums have been increased. Last year employees who elected family coverage were required to pay an addition \$100/month toward the cost of this benefit or a total of \$150/month. This is more than most other comparable communities require of their employees. However, insurance costs are high here in spite of the fact that deductibles and out of pocket charges are higher here than elsewhere. Premiums continue to escalate. It is unfortunate that the insurance year does not coincide with the contract year. Faced with a change in insurance offerings, these

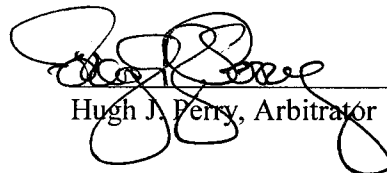
employees were confronted with making an important insurance choice under pressure. The ability to select from different plans according to personal or family needs has some advantages. One can elect to pay a lesser premium in exchange for higher deductibles and out of pocket expenses. However, requiring the same premium contribution for all available plans would lead most employees to take the most expensive family plan with the lowest deductibles and coinsurance. There would be little incentive to take a less expensive plan with greater exposure if the required premium contribution was the same. All factors, considered, the following is awarded. Employees may select from any of the three insurance plans offered as recommended by the insurance committee. An employee selecting Option III shall be required to contribute \$125/month toward the cost of this insurance. The City shall pay the balance of the premium. An employee selecting option II shall pay \$150/month toward the cost of this insurance and the City shall pay the balance. An employee selecting Option I shall pay \$175/month toward the cost of this insurance and the City shall pay the balance. The wages of these employees shall be increased by 3.5% effective July 1, 2002.

AWARD

INSURANCE - Employees will have the choice of the three insurance options recommended by the insurance committee. Employees selecting Insurance Option I (family) will pay \$175/month toward this benefit. Employees selecting Option II (family) shall pay \$150/month toward this benefit. Employees selecting Option III (family) shall pay \$125/month toward this benefit. (Employees selecting Option I will pay the increased contribution required as of July 1, 2002.)

WAGES - These employees wages should be increased by 3.5% effective July 1, 2002.

Signed this 27th day of June, 2002



Hugh J. Perry, Arbitrator

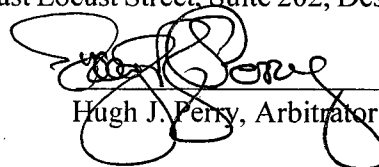
CERTIFICATE OF SERVICE

I certify that on the 27th day of June, 2002, I served the foregoing Award of Arbitrator upon each of the parties to this matter by mailing a copy to them at their respective addresses as shown below:

Matt Brick
Attorney At Law
530 39th St. Suite 200
Des Moines, Iowa 50312

Raela Baird
AFSCME Iowa Council 61
4320 N.W. 2nd Ave.
Des Moines, Iowa 50313

I further certify that on the 27th day of June, 2002, I will submit this award for filing by mailing it to the Iowa Public Employment Relations Board, 514 East Locust Street, Suite 202, Des Moines, Iowa 50309.



Hugh J. Perry, Arbitrator